THE GLOBE AND MAIL

ONTARIO EDITION

WEDNESDAY, MAY 30, 2018 | GLOBEANDMAIL.COM

Over a barrel

In a major political gamble, Trudeau government buys the Trans Mountain pipeline from Kinder Morgan for $4.5-billion

Prime Minister Justin Trudeau in Toronto on Tuesday after his government announced it would be buying the Trans Mountain pipeline from Kinder Morgan. MARTA IWANEK/THE CANADIAN PRESS

THE DEAL

Trans Mountain purchase is largest federal government intervention since auto bailout

STEVEN CHASE OTTAWA
KELLY CRYDERMAN CALGARY
JEFF LEWIS CALGARY

The Trudeau government is taking an extraordinary step in its push to ship more oil sands crude to global markets and will buy the Trans Mountain pipeline from Kinder Morgan for $4.5-billion after the company lost interest in an expansion project beset by fierce opposition from environmentalists, Indigenous groups and the B.C. government.

This move – which amounts to a nationalization of what Ottawa considers a critical-infrastructure project – came after Kinder Morgan signalled it wanted to walk away from plans to expand the existing pipeline between Edmonton and Burnaby, B.C., even though the Liberal cabinet had earlier offered to indemnify it against financial losses.

It is the largest federal government intervention since 2009, when Ottawa joined the Ontario government to advance more than $13.3-billion to help keep Chrysler and General Motors afloat. Back then, however, a larger financial crisis was playing out.

DEAL, A7

THE NUMBERS

Kinder Morgan exits a failed expansion with an extra $1.2-billion in its pocket

JEFFREY JONES CALGARY
MERGERS AND ACQUISITIONS REPORTER

Kinder Morgan Canada Inc. is being paid handsomely for its Trans Mountain pipeline and its well-publicized troubles expanding it.

By one major bank's calculation, Kinder Morgan will pocket $1.2-billion more than the worth of the existing transport system and the money it has already spent on the expansion. Meanwhile, it jettisons all of the risks. That's the calculus Kinder Morgan faced as it shifted from seeking government protection against more legal and physical roadblocks to selling the pipeline and its approved expansion for $4.5-billion to Canadian taxpayers.

Finance Minister Bill Morneau and Natural Resources Minister Jim Carr were adamant about the national importance of completing the expansion, including its role in creating jobs and being a tonic to the health of Alberta's oil industry.

The operating pipeline, which ships up to 300,000 barrels a day to the Pacific Coast from Alberta, is valued by Royal Bank of Canada at $2.3-billion, or $7 a share of Kinder Morgan Canada.

NUMBERS, A6

THE GAMBLE

Liberals will lose votes over decision, but Trudeau had no other choice

GARY MASON VANCOUVER
NATIONAL AFFAIRS COLUMNIST

ANALYSIS

In a move reminiscent of the kind of bold, audacious gambit his father, Pierre Elliott, was once known for, Prime Minister Justin Trudeau just nationalized a pipeline. It represents the biggest gamble of his political life.

Pipelines have, in many ways, divided this country. And so it will be that the federal government's $4.5-billion decision to buy the existing Kinder Morgan Trans Mountain pipeline – and seize control of building a planned expansion - will be polarizing. But as risky as it seems from virtually any angle, Mr. Trudeau's Liberals had, in many ways, no choice.

Kinder Morgan, a firm with an established reputation for getting difficult projects built, was preparing to walk away from this one. The damage that would have done to international investor confidence in Canada would have been immeasurable.

MASON, A7

EDITORIAL

The big issue is not what Ottawa has done, but what's next A12

REPORT ON BUSINESS

Buyers interested in pipeline in short supply B1

INSIDE

JOHN DOYLE A3
CAMPBELL CLARK A11
LAWRENCE MARTIN A13
KONRAD YAKABUSKI B1
IAN McGUGAN B9
ROB CARRICK B9

A-SECTION

FOLIO A10-11
EDITORIAL & LETTERS A12
OPINION A13
LIFE & ARTS A14
FIRST PERSON A18
WEATHER & PUZZLES A19

B-SECTION

REPORT ON BUSINESS B1
OPINION & ANALYSIS B4
GLOBE INVESTOR B9
SPORTS B12
COMICS B16
OBITUARIES B20

THE GLOBE'S SECUREDROP SERVICE PROVIDES A WAY TO SECURELY SHARE INFORMATION WITH OUR JOURNALISTS **TGAM.CA/SECUREDROP**

MON-FRI: $3.00
SATURDAY: $5.00
PRICES MAY BE HIGHER IN SOME AREAS

22
7 73552 00003 2

Aventura. The Traveller's Travel Card.™

Plan your perfect trip with the help of your Aventura® Travel Assistant. With no booking fee, 24/7 emergency travel support and personalized travel advice, it's never been easier to bring out the traveller in you.

CIBC Aventura VISA INFINITE VISA

Join now and get up to 20,000 Aventura Points. That's up to $400 towards your next flight.†

CIBC

†Conditions apply. Visit cibc.com/thetravellerscard for details. $400 value is based on redemption of 20,000 Aventura Points for airfare purchase, based on the Aventura Airline Rewards Chart at CIBCRewards.com, before taxes and other charges, as at March 1, 2018. *Trademark of Visa Int., used under license. CIBC Cube Design is a trademark of CIBC. All other trademarks are owned by CIBC.